GUANGZHOU AUTOMOBILE GROUP CO., LTD.

廣州汽車集團股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2238)

INSIDE INFORMATION/OVERSEAS REGULATORY ANNOUNCEMENT REPLY TO THE LETTER FROM THE SHANGHAI STOCK EXCHANGE

This announcement is made by Guangzhou Automobile Group Co., Ltd. (the "**Company**") pursuant to Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company received the Regulatory Letter Regarding Matters Related to the Estimated Results of Guangzhou Automobile Group Co., Ltd. (Official Letter of the Shanghai Stock Exchange [2026] No. 0338) (the "**Letter**") issued by the Shanghai Stock Exchange on 30 January 2026. The Company has submitted its reply to the Letter to the Shanghai Stock Exchange on 15 March 2026. Enclosed for reference is the Announcement in Reply to the Shanghai Stock Exchange's Regulatory Letter Regarding Matters Related to the Estimated Results of the Company (the "**Announcement in Reply to the Letter**") published by the Company on the website of the Shanghai Stock Exchange on 15 March 2026. Please note that the Announcement in Reply to the Letter is written in Chinese without an official English version. The English translation is for reference only. In case of any discrepancy between the Chinese and English versions of the Announcement in Reply to the Letter, the Chinese version shall prevail.

By order of the Board
Guangzhou Automobile Group Co., Ltd.
FENG Xingya
Chairman

Guangzhou, the PRC, 15 March 2026

As at the date of this announcement, the executive directors of the Company are FENG Xingya and XIA Xianqing, the non-executive directors of the Company are CHEN Xiaomu, DENG Lei, ZHOU Kaiquan, WANG Yiwei and HONG Suli, and the independent non-executive directors of the Company are ZHAO Fuquan, XIAO Shengfang, WONG Hakkun and SONG Tiebo.

A-share code：601238 **A-share abbreviation: GAC Group** **Announcement number: 2026-015**
H-share code：02238 **H-share abbreviation: GAC Group**

Guangzhou Automobile Group Co., Ltd.

Announcement in Reply to the Shanghai Stock Exchange's Regulatory Letter Regarding Matters Related to the Estimated Results of the Company

Guangzhou Automobile Group Co., Ltd. (the "Company") recently has received the Regulatory Letter Regarding Matters Related to the Estimated Results of the Company (Official Letter of the Shanghai Stock Exchange [2026] No. 0338) (the "Letter") issued by the Shanghai Stock Exchange. Upon receiving the aforementioned Letter, the Company attached great importance to it and conscientiously organized relevant departments to conduct research and analysis on the issues involved. The responses to the relevant issues are as follows (the Company's financial data for 2025 mentioned in this reply only represents preliminary estimations, the final results shall be subject to the audited financial data in the Company's 2025 annual report):

I. Regarding gross profit margin. According to prior information disclosures, the Company's gross profit margin for the business of production of fully-assembled vehicles in the first half of 2025 was -7.03%, with a decline of 9.21 percentage points compared to the gross profit margin level for 2024. The Company is requested to clarify whether the gross profit margin for the business of production of fully-assembled vehicles for 2025 is negative. If so, please explain the main reasons for the negative gross profit margin in light of the industry environment, fluctuations in the upstream and downstream sectors, and the primary business model etc.

The Company's Response:

The Company's business of production of fully-assembled vehicles primarily focuses on the manufacture of passenger vehicles. The passenger vehicle manufacturing enterprises within the scope of the consolidated financial statements comprise the subsidiaries GAC Trumpchi Automobile Co., Ltd. (廣

汽傳祺汽車有限公司) (hereinafter referred to as “GAC Trumpchi”) and GAC AION New Energy Automobile Co., Ltd. (廣汽埃安新能源汽車股份有限公司) (hereinafter referred to as “GAC AION”). The gross profit from the Company’s business of production of fully-assembled vehicles is as follows:

Year	Revenue from business of production of fully-assembled vehicles (RMB100 million)	Revenue per vehicle (RMB10 thousand)	Costs and taxes for business of production of fully-assembled vehicles (RMB100 million)	Cost per vehicle (RMB10 thousand)	Gross profit for business of production of fully-assembled vehicles (RMB100 million)
2025	690.10	11.33	740.85	12.16	-50.75
2024	789.34	10.00	772.14	9.78	17.20

Affected by multiple factors such as industry price competition, declining sales, increased promotional investments, and an imbalanced business structure, the Company’s gross profit margin for the business of production of fully-assembled vehicles was negative for 2025.

(I) Industry Environment

In 2025, the PRC automobile market formally entered the deep waters of stock competition, with the industry’s development logic fully transitioning from “scale expansion” in the past to “efficiency optimization and structural upgrading”. The market landscape diverged with unprecedented intensity. This market characteristic of “capped overall volume and structural reshuffling” directly triggered fierce price competition across the entire industry. The price reductions for mainstream vehicle models reached a five-year high, with the sub-market for vehicles priced below RMB200,000 particularly becoming the main battlefield for price competition. Data from the National Bureau of Statistics indicates that in 2025, the Producer Price Index (PPI) for the domestic automobile manufacturing decreased by 2.8% compared to the previous year.

The Company’s self-owned brand passenger vehicles continued to face sustained pressure amid intensifying competition, with sales volume falling short of expectations. In 2025, sales volume declined by 22.83% year-on-year. In response to inventory pressure and the risk of declining market share, the Company's self-owned brand flagship vehicle models intensified promotional efforts. End-user discounts generally ranged from RMB15,000 to RMB30,000, leading to a substantial decline in per-vehicle gross profit.

Sales conditions for the Company's self-owned brand passenger vehicles are as follows:

Unit: vehicle

Entity/Model		Sales volume for 2025	Sales volume for 2024	Year-on-year change
GAC Trumpchi	Fuel-powered vehicle	273,038	358,628	-23.87%
	New energy vehicle	46,123	55,963	-17.58%
	Total	319,161	414,591	-23.02%
GAC AION	New energy vehicle	290,081	374,884	-22.62%
Total		609,242	789,475	-22.83%

(II) Fluctuations in Upstream and Downstream Sectors

In 2025, the Company's gross profit for the business of production of fully-assembled vehicles declined under pressures from both market competition and rising costs.

1. Upstream Cost

(1) In 2025, the upward trajectory of upstream raw material prices constituted a pervasive cost pressure across the industry, with particularly significant fluctuations observed in the prices of key commodities such as lithium carbonate, copper, and rhodium. Data from the Guangzhou Futures Exchange indicates that the futures price of lithium carbonate exhibited wide-ranging volatility throughout 2025, the year-end closing price reached RMB121,580 per ton. Although this represented a decline from the peak level reached during the year, it remained at a historically high level overall, with the average annual price increasing by approximately 18% compared to the previous year. Prices for metallic materials such as copper and rhodium also recorded notable year-on-year increases, driven by global supply chain tensions and a recovery in demand.

In response to the sustained escalation in raw material prices, the Company successfully reduced a portion of the procurement cost by consolidating the procurement systems of its self-owned brands, optimizing the supplier structure, and expanding the scale of centralized procurement etc. This resulted in overall raw material costs remaining largely unchanged compared to the prior year. However, this hedging strategy only partially offset the impact of rising raw material prices and was insufficient to fully absorb the cost pressures, thereby indirectly affecting profitability performance.

(2) As a capital-intensive industry, automobile manufacturing involves substantial fixed asset investments and long payback periods. Consequently, the capacity utilization rate directly determines the efficiency of allocation of unit fixed cost. In 2025, the sales volume of the Company's passenger vehicles under self-owned brands decreased by 22.83% year-on-year, leading to a lower capacity utilization rate and making it difficult to spread unit fixed costs effectively. This situation resulted in the per-unit labor costs, depreciation, amortization, and other fixed costs for the Company's self-owned brand operations increasing by approximately 40% year-on-year in 2025. Specifically, the increase in labor costs stemmed from the decline in capacity utilization. Although production and sales volumes decreased, expenditures such as salaries and benefits for production line personnel remained relatively rigid, causing the labor cost allocated per unit to rise by approximately 15% compared to the same period last year. Concurrently, amidst underutilized capacity, depreciation and amortization costs per unit increased by approximately 49% year-on-year, further intensifying the pressure of fixed cost allocation and ultimately driving up the per-unit cost of the Company's passenger vehicles under self-owned brands.

2. Downstream Market

On one hand, the intensifying market competition compelled the Company to continuously increase its promotional expenditures. In 2025, the proportion of average promotional expenditure per vehicle for the Company's self-owned brands increased by 5 percentage points compared to the previous year. On the other hand, the sustained pressure on sales volumes meant the Company's self-owned brands' profits were eroded by both the increased promotional spending and falling revenue, leading to a continuous contraction in gross profit margins.

(III) Primary Business Model

1. As the core vehicle for the Group's transition to new energy, GAC AION faces the dual challenges of a slowdown in the business-end market and the transition to the consumer-end market. This situation is compounded by the limited economies of scale for the premium brand, Hyptec, which collectively weigh on profitability. From the perspective of the business-end market, the domestic ride-hailing market reached

saturation in 2025, with a pronounced oversupply of capacity in core cities. Consequently, orders for the AION brand within the ride-hailing market declined. Concurrently, the brand's transition to the consumer-end market remains in a developmental phase, making it difficult to provide profitable support in the short term. Furthermore, the Hyptec brand, positioned in the premium new energy segment, is still in its development stage and has yet to achieve sufficient economies of scale.

2. GAC Trumpchi continues to advance its brand premiumization strategy. However, sales volume of high-value vehicle models has fallen short of expectations. To maintain market share, Trumpchi has persistently increased investments in brand promotion and end-user promotion, thereby increasing promotional expenses. Simultaneously, declining sales volumes have prevented these promotional expenses from being diluted through economies of scale, further compressing profit margins.

3. While the Company's overseas business achieved rapid growth, its short-term contribution to profit remains limited due to the industry characteristics of "high investment and long cycles", rendering it unable to effectively offset the decline in gross profit within the domestic market. In 2025, profits from overseas business were only sufficient to cover a portion of research and development costs. Furthermore, such business requires continuous capital investment for market expansion. Consequently, not only does it fail to contribute positively to profits in the short term, but it also increases the Company's capital commitment and cost pressures, indirectly impacting the overall gross profit level.

In summary, the primary reasons for the Company's negative gross margin in 2025 are as follows:

Firstly, a decline in revenue. The sales volume of the Company's passenger vehicles under self-owned brands decreased by 22.83% year-on-year. This, coupled with increased end-user promotional expenses, led to a contraction in the revenue scale of the business of production of fully-assembled vehicles. Consequently, the growth in revenue per vehicle was significantly lower than the increase in cost per vehicle, compressing the gross margin.

Secondly, a compression of profits. In response to declining sales, the Company intensified its promotional efforts. The proportion of average promotional expense per vehicle for self-owned brands increased by 5 percentage points compared to the previous year. However, this failed to revive sales volumes, and instead, resulted in these promotional expenses not being diluted through economies of scale, further compressing the profit margins.

Thirdly, an increase in costs. Underutilized production capacity drove up unit fixed costs. Labor costs, depreciation and amortization, and other fixed costs per vehicle increased by over 40% year-on-year. This pressure was compounded by the underlying pressure of persistently high upstream raw material prices, ultimately leading to a rise in the cost per vehicle.

The Annual Audit Accounting Firm's Response:

Regarding changes in gross profit margin, the procedures we performed during the year primarily included:

1. Interviewed the Company's management personnel to understand gross profit margin fluctuations across business segments and their rationality;

2. Obtained the Company's detailed income and cost statements to analyze the cost composition of various products, total revenue, unit selling price, unit cost, gross profit margin, and reasons for significant fluctuations in each item;

3. Verified whether the Company's revenue recognition and costs carrying forward accounting policies remained consistent with those of prior years and whether they complied with relevant provisions of the Accounting Standards for Business Enterprises.

Based on the audit procedures performed as described above, as of the date of this statement, we have not identified any material inconsistencies between the Company's revenue recognition and costs carrying forward, and the relevant provisions of the Accounting Standards for Business Enterprises. We have not identified any material unreasonable aspects in the Company's explanation regarding the reasons for the negative gross profit margin.

As of the date of this statement, our audit work remains in progress. Regarding the matters described above, we have yet to complete the verification of confirmation replies from customers and suppliers, detailed testing of revenue and costs, comparative analysis of gross profit margins within the same industry and other audit procedures, as well as communicate with component accountants and review relevant supporting documents to form a formal audit conclusion.

II. Regarding inventory impairment. The estimated results indicate that the Company expects the provision for inventory impairment for the current year to increase compared to the same period last year, which is one of the main reasons for the loss recorded in the current year's results. The Company is requested to: (1) provide supplementary disclosure on the main types of inventory at the end of the period, their inventory age, book balance, impairment provision amount incurred and

balance; (2) provide supplementary disclosure on the specific process for determining the net realizable value of inventory and the provision for inventory impairment this year, and explain the main reasons for the increase in inventory impairment losses this year; (3) explain whether the policies for inventory impairment provisions this year are consistent with those of previous periods, and whether there were instances where the provisions for inventory impairment was insufficient in prior years.

The Company's Response:

(I) Main types of inventory, inventory age, book balance, impairment provision amount incurred and balance at the end of the year

The Company, in accordance with the Accounting Standards for Business Enterprises No. 1 — Inventory, recognizes inventory impairment provision at the balance sheet date, following the measurement principle of "the lower of cost and net realizable value". Inventory impairment is mainly concentrated in GAC Trumpchi and GAC AION. The inventory impairment provision data for GAC Trumpchi and GAC AION for 2025 and 2024 is as follows:

Unit: RMB100 million

<table>
<tr><th rowspan="2">Entity/ Category</th><th rowspan="2">Inventory balance as at the end of 2025 (before impairment)</th><th rowspan="2">Inventory value as at the end of 2025 (after impairment)</th><th colspan="2">Inventory age</th><th rowspan="2">Balance of impairment provision at the end of 2025</th><th rowspan="2">Of which: provision for the current year</th></tr>
<tr><th>Within 1 year</th><th>Over 1 year</th></tr>
<tr><td>Raw materials</td><td>30.72</td><td>25.62</td><td>21.51</td><td>4.11</td><td rowspan="2">5.47</td><td rowspan="2">4.63</td></tr>
<tr><td>Work in progress</td><td>2.24</td><td>1.87</td><td>1.32</td><td>0.55</td></tr>
<tr><td>Inventory goods</td><td>55.73</td><td>49.65</td><td>48.77</td><td>0.88</td><td>6.08</td><td>6.08</td></tr>
<tr><td>Turnover materials</td><td>3.59</td><td>3.59</td><td>1.34</td><td>2.25</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>92.28</td><td>80.73</td><td>72.94</td><td>7.79</td><td>11.55</td><td>10.71</td></tr>
</table>

(Continued)

Entity/ Category	Inventory balance as at the end of 2024 (before impairment)	Inventory value as at the end of 2024 (after impairment)	Inventory age		Balance of impairment provision at the end of 2024	Of which: provision for the current year
			Within 1 year	Over 1 year		
Raw materials	20.87	18.97	12.96	6.01	2.09	1.42
Work in progress	2.17	1.98	1.33	0.65		
Inventory goods	41.71	40.91	39.33	1.58	0.80	0.80
Turnover materials	3.39	3.39	1.20	2.19	-	-
Total	**68.14**	**65.25**	**54.82**	**10.43**	**2.89**	**2.22**

The main reasons for the changes in inventory balances over the two years are as follows:

The Company's actual vehicle sales volume in 2025 fell short of the planned sales volume, leading to a passive accumulation of finished goods in inventory at its self-developed vehicle manufacturing plants. As a result, the closing balance of finished goods in inventory for GAC Trumpchi and GAC AION increased significantly in 2025 compared to the previous year.

In order to achieve the production and sales plan for new vehicle models in 2026, the aforementioned vehicle manufacturing plants actively stockpiled inventory, resulting in a substantial increase in the closing balance of raw materials compared to the previous year.

(II) Determination of net realizable value of inventory, specific process of provision for impairment, and reasons for the increase in inventory impairment loss

1. The provision for inventory impairment is based on the difference between cost and net realizable value. The net realizable value is determined by the estimated selling prices of inventories minus the actual cost of the inventory goods, estimated sales expenses and relevant taxes and surcharges.

2. The specific process for recognizing provision for impairment: The net realizable values of merchandise

inventories held directly for sale (complete vehicles and after-sales parts), such as finished goods in inventory and available-for-sale materials, are measured at the estimated selling prices of such inventory less estimated sales expenses and relevant taxes and surcharges in the normal course of production and operation. The net realizable values of material inventories which need further processing (raw materials and work in progress) are measured at the estimated selling prices of the finished products produced (calculated based on the actual average level in 2025) less the estimated manufacturing costs of completion, sales expenses (all calculated based on the actual average level in 2025) and relevant taxes (including consumption tax, urban maintenance and construction tax and surcharges, stamp duty and others, etc.) in the normal course of production and operation. The net realizable values of inventories held for the purpose of fulfillment of sales contracts or service contracts are calculated on the basis of the contract prices. If the quantity of inventories held exceeds that stated in the contract, the net realizable values of its excess are calculated on the basis of normal selling prices.

Note: The aforementioned related taxes and fees include consumption tax = product's net-of-tax sales amount * corresponding engine displacement tax rate, urban maintenance and construction tax and surcharges = (actual VAT paid on the product + actual consumption tax paid on the product) * corresponding tax rate and stamp duty on product transactions allocated to the product, etc.

3. Main reasons for the increase in inventory impairment loss

The increase in inventory impairment loss for the year 2025 is primarily attributable to the impairment provisions recognized for certain vehicle models within inventory goods that met the criteria for impairment, of which the principal data of the inventory impairment of GAC Trumpchi and GAC AION is as follows:

Unit: RMB100 million

Year	Type of inventory goods	Balance of inventory at the end of year (before impairment)	Value of inventory at the end of year (after impairment)	Net realizable value at the end of year	Inventory impairment test parameters		
					Estimated revenue	Inventory cost	Estimated selling expenses and taxes
2025	Impaired inventory	31.56	25.49	25.49	28.58	31.56	3.09
	Non-impaired inventory	24.16	24.16	27.36	34.30	24.16	6.94

2024	Impaired inventory	5.85	5.05	5.05	5.48	5.85	0.43
	Non-impaired inventory	35.86	35.86	41.92	56.58	35.86	14.66

Year	Type of inventory goods	Balance of inventory at the end of year (before impairment)	Value of inventory at the end of year (after impairment)	Net realizable value at the end of year	Inventory impairment test parameters		
					Estimated revenue	Inventory cost	Estimated selling expenses and taxes
2025	Impaired raw materials and work in progress	19.29	13.82	13.82	15.48	19.29	1.66
	Non-impaired raw materials and work in progress	13.67	13.67	15.49	19.25	13.67	3.77
2024	Impaired raw materials and work in progress	11.46	9.37	9.37	10.19	11.46	0.82
	Non-impaired raw materials and work in progress	11.58	11.58	13.53	18.18	11.58	4.65

According to the measurement principle of "the lower of cost and net realizable value" in the Accounting Standards for Business Enterprises No. 1 — Inventory, GAC Trumpchi's increase in inventory impairment loss this year is mainly due to a decrease in net realizable value, and GAC AION's increase in inventory impairment loss this year is mainly due to the decline in selling price per vehicle of mid-to-low-end models being much greater than the decline in the cost of sales. The main reasons are as follows:

(1) The estimated selling price is calculated based on the fair market transaction price and does not involve contract pricing, as detailed below: Based on the average selling price of each product in 2025 (after deducting basic distributor rebates and other commercial policies), combined with considerations of the inventory structure, distributor rebates, and other commercial policies in January 2026. Vehicle selling prices have decreased significantly compared to the previous year. In response to intense market competition, the Company lowered its ex-factory prices based on market conditions, increasing sales investments, and adjusted distributor rebates

and other commercial policies. Consequently, the net realizable value of the main vehicle inventory has decreased.

(2) The inventory cost is assessed based on the actual cost of inventory goods, combined with the estimated costs to be incurred until completion. Although the procurement cost per vehicle for primary materials decreased, the lower-than-expected sales volume led to an increase in the per-unit allocation of fixed production costs. This increase offset the impact of the reduction in procurement costs.

In summary, the core reasons for the increase in inventory impairment loss for the year are as follows: The negative impact caused by the continued decline in the estimated selling price due to intensified market competition (leading to a decrease in net realizable value) is much greater than the positive impact caused by the decrease in the materials cost per vehicle, which has widened the gap between cost and net realizable value, resulting in a corresponding increase in the provision for impairment as required by the Accounting Standards for Business Enterprises No. 1 — Inventory.

(III) Changes in the policy for provision for inventory impairment and whether the inventory impairment in prior years was sufficient

1. The policy for provision for inventory impairment this year is consistent with the previous period

The relevant policies for the provision for inventory impairment are detailed in the descriptions under "II. Regarding inventory impairment — (I) Main types of inventory, inventory age, book balance, impairment provision amount incurred, and balance at the end of the year" in this reply. The said accounting policy is consistent with the accounting policy for "inventory" disclosed in the Company's annual reports of previous years. There have been no significant changes for the year compared to the prior period.

2. The provision for inventory impairment was sufficiently made in previous years

The trend of provision for inventory impairment ratio and gross profit margin of the Company is as follows:

Unit: RMB100 million

Year	Closing balance of the inventories	Closing balance of provision for inventory impairment	Proportion of provision	Revenue from business of production of fully-	Costs and taxes of business of productio	Gross profit margin for business of production

				assembled vehicles	n of fully-assembled vehicles	of fully-assembled vehicles
2025	164.03	14.96	9.12%	690.10	740.85	-7.35%
2024	163.17	6.28	3.85%	789.34	772.14	2.18%
2023	172.62	5.42	3.14%	940.15	903.29	3.92%

Due to adverse factors such as market competition in 2025, the Company's business of production of fully-assembled vehicles recorded a negative gross profit margin for the full year, as detailed in the relevant explanation under "I. Regarding gross profit margin" of this reply. However, for 2024 and prior years, the gross profit margin of the Company's business of production of fully-assembled vehicles remained positive. The Company's provision for inventory impairment in previous periods was determined based on objective factors available at the time, such as sales conditions and market environment, with relevant parameters representing the best estimates at that time, for details, please refer to the relevant description under "II. Regarding inventory impairment — (II) Determination of net realizable value of inventory, specific process of provision for impairment, and reasons for the increase in inventory impairment loss" of this response. There were no instances of untimely or insufficient provisions in prior periods.

The Company has established a comprehensive internal control system for inventory, to ensure timely identification of inventory impairment indicators, reasonable determination of impairment testing parameter estimates, and adequate provision for inventory impairment.

The Annual Audit Accounting Firm's Response:

Regarding the provision for inventory impairment, the principal procedures we have performed during the current year primarily include:

1. Understanding the design of key internal controls related to inventory impairment assessment and testing the operating effectiveness of the relevant controls;

2. Understanding the Company's inventory impairment provision policy and testing methodology, reviewing publicly available information such as the periodic reports of comparable companies in the same industry to comprehend the differences between the Company's inventory provision policy and those of its peers,

and evaluating the reasonableness of the basis and methodology for determining the inventory impairment provision;

3. Obtaining the Company's inventory breakdown, understanding the composition of inventory across different business segments and the status of provision for inventory impairment, and analyzing their reasonableness;

4. Obtaining the Company's inventory impairment testing working papers, assessing its compliance with the provisions of the Accounting Standards for Business Enterprises No. 1 — Inventory, recalculating the inventory impairment testing process to confirm the accuracy of the provision for inventory impairment.

Based on the audit procedures performed as described above, as of the date of this statement, we have not identified any material inconsistencies between the Company's provision for inventory impairment and the relevant provisions of the Accounting Standards for Business Enterprises. The related accounting treatments are in compliance with the Accounting Standards for Business Enterprises and other regulations.

As of the date of this statement, our audit work is still in progress. For the matters mentioned above, we still need to complete certain audit procedures, such as reviewing the key parameters used in the inventory impairment testing, verifying the reasonableness of the data definitions for these parameters, communicating with component accountants, and reviewing and examining the relevant working papers and supporting documents, in order to reach a formal audit conclusion.

III. Regarding impairment of intangible assets. The estimated results indicated that the Company expects the provision for impairment of intangible assets for the current year to increase compared with the same period last year, which is one of the main reasons for the results loss this year. In 2023 and 2024, the Company's impairment losses on intangible assets were RMB856 million and RMB1.19 billion, respectively, with the main impairment items being proprietary and non-patented technologies. The Company was requested to: (1) supplementally disclose the main projects and specific content of the provision for impairment of intangible assets in the past three years; (2) supplementally disclose the specific process of the Company's provision for impairment of intangible assets for the current year, including but not limited to the impairment indicators identified, assumptions and estimates adopted, and explain the main reasons for the continuous provision of

substantial impairment of intangible assets in the past three years.

The Company's Response:

(I) Main projects and specific content of the provision for impairment of intangible assets in the past three years

The main impairment projects in the past three years were all proprietary and non-patented technologies. The specific content mainly comprises proprietary and non-patented technologies relating to vehicle models formed from internal research and development that meet the capitalization criteria, including technologies related to vehicle platform architecture, powertrain, materials and manufacturing processes, covering the entire process from vehicle design to mass production. The main circumstances of the impairment provision of intangible assets in the past three years are as follows:

Item	2023	2024	2025
Impairment amount	RMB 856 million	RMB 1.19 billion	RMB 1.21 billion
Main impairment projects	Proprietary and non-patented technologies of vehicle models	Proprietary and non-patented technologies of vehicle models	Proprietary and non-patented technologies of vehicle models

(II) Specific process of the provision for impairment of intangible assets in 2025

1. Identification of impairment indicators:

In accordance with the provisions of the Accounting Standard for Business Enterprises No. 8 — Impairment of Assets, in 2025, the Company identified the following major indicators of impairment through internal periodic asset performance monitoring and vehicle model profit and loss analysis:

(1) Changes in the market environment: Intensified competition in the automobile market, with full-year sales in 2025 falling short of expectations, sales volume of the Trumpchi brand of 319,200 units in 2025, representing a decrease of 23.02% compared to the previous year, sales volume of AION and Hyptec brands of 290,000 units, representing a decrease of 22.62% compared to the previous year, leading to downward revisions of future sales estimations and pricing assumptions for certain vehicle models.

(2) Internal performance: Through internal vehicle model profit and loss analysis, the gross profit for certain vehicle models was negative or relatively low. The overall gross margin of GAC Trumpchi and GAC AION was -7.35%, compared to 2.18% in the same period last year, representing a decrease nearly of 9 percentage points.

2. Assumptions and estimates adopted:

(1) Method selection

In accordance with the provisions of the Accounting Standards for Enterprises No. 8 – Impairment of Assets, the Company assessed the relevant vehicle model asset groups in 2025 using the "present value of estimated future cash flows" method. As most of the relevant technological assets are specialized assets lacking an active market for transactions, making it difficult to obtain fair value reliably, and the Company holds these assets for production and operation purposes, applying them to product production and sales to generate future cash flows, the net fair value less costs of disposal method was not adopted.

(2) Method introduction

The discounted future cash flow method is an evaluation approach that forecasts the estimated future cash flows of an asset group and their associated risks, selects an appropriate discount rate, and discounts the future cash flows to their present value for summation. The calculation formula is as follows:

Present Value of Future Cash Flows of the Asset

$$(PV)=\sum \frac{\textit{Estimated Future Cash Flows of the Asset in Year t}\ (\mathrm{NCF_t})}{(1+\textit{Discount Rate}\ \mathrm{R})^{\mathrm{t}}}$$

(3) The Company's impairment testing process for vehicle model asset this year is as follows:

The estimated future cash flow of the asset group is based on pre-tax cash flow.

Pre-tax Cash Flows = Revenue - Costs - Taxes and Surcharges - Selling Expenses - Administrative Expenses + Depreciation and Amortization - Increase in Working Capital, etc.

1) The calculation process for the present value of the estimated future cash flows of the vehicle model asset groups is as follows:

Taking the vehicle model A asset group as an example:

Actual conditions for 2025:

Unit: RMB ten thousand

Year	Revenue	Costs	Expense ratio	Cash flows
2025	517,443	643,287	5.79%	-111,813

Estimated conditions for the next five years:

Unit: RMB ten thousand

Year	Estimated revenue	Estimated costs	Estimated expense ratio	Estimated future cash flows	Discount factor	Present value of estimated future cash flows
2026	366,345	375,429	3.46%	-17,796	0.9361	-16,659
2027	378,431	357,385	3.46%	-14,709	0.8203	-12,065
2028	359,788	313,362	3.46%	35,972	0.7188	25,857
2029	350,754	285,826	3.46%	54,436	0.6299	34,289
2030	195,774	154,016	3.46%	50,033	0.5642	28,228
Total	**1,651,093**	**1,486,018**	**-**	**107,935**	**-**	**59,650**

The volume assumptions for both estimated revenue and estimated costs are determined based on the Company's future plans under the 15th Five-Year Plan. Unit price and unit cost are determined based on the Company's 2026 operational plan, while unit prices for 2027 and subsequent years are determined taking into account market trends and the Company's management objectives. Specifically, the estimated revenue takes into account factors such as market conditions, competitor pricing, and configuration value, whereas the estimated costs take into account factors including vehicle configuration, technological substitution and optimization, and annual reductions in component costs and in-house manufacturing costs.

2) The impairment test results for the major vehicle model asset groups this year are as follows:

Unit: RMB ten thousand

Name of asset group	**Carrying amount as of 31 December 2025**	**Recoverable amount**	**Impairment loss recognized on intangible assets for the current year**
Model A	60,922	59,650	1,273
Model B	134,168	100,444	33,724
Model C	60,865	-31,808	56,314
Model D	104,817	74,762	30,055

3) Explanation of key parameters

① Testing unit: Impairment testing is performed using vehicle model technologies based on the same platform as an asset group, while also taking into consideration the allocated amount of common assets.

② Cash flow forecast: Based on the Company’s 2026 operation plan and the rolling budget of the 15th Five-Year Plan. Key inputs include the estimated sales volume, sales revenue, costs and expenses, and discount rate of the vehicle models corresponding to the relevant technologies:

A. Sales volume and revenue: Sales volume and unit price of each vehicle model adjusted based on the latest market assessment, vehicle model life-cycle, and competitive landscape.

B. Forecast period: Determined based on the vehicle model’s life cycle.

C. Costs and expenses: Include materials, manufacturing, amortization, research and development maintenance, and related sales and administrative expenses.

D. Discount rate: A discount rate reflecting the current market time value of money and asset-specific risks was used. This discount rate was comprehensively determined with reference to the Company’s weighted average cost of capital (WACC) and internal rate of return.

Weighted Average Cost of Capital (WACC) = (Proportion of Equity in Total Capital × Cost of Equity) + (Proportion of Debt in Total Capital × After-Tax Cost of Debt)

Firstly, the Company's capital structure is determined, specifically the respective values of equity and debt and their weights within the total capital. Subsequently, the cost of each component is calculated separately: The cost of equity is typically estimated using the Capital Asset Pricing Model (CAPM), which incorporates factors such as the risk-free rate, market risk premium, equity systematic risk coefficient (Beta), and a company-specific risk adjustment factor. The cost of debt is generally determined by reference to the interest rate on the Company's existing debt or the loan prime rate, multiplied by (1 - income tax rate) to reflect the tax shield effect of interest. Finally, the calculated cost of equity and after-tax cost of debt are each multiplied by their respective capital weights, and the two results are summed to arrive at the final WACC.

(III) Main reasons for the continuous provision of substantial impairment of intangible assets in the past three years

According to the provisions of the Accounting Standards for Business Enterprises No. 8 – Impairment of Assets, enterprises should conduct impairment tests on assets showing signs of impairment at least at the end of each annual reporting period. In accordance with the prudence requirement of accounting standards, the Company has continuously recognized considerable intangible assets impairment over the past three years, primarily due to:

1. Disruptive transformation of industry technology pathways: The automobile industry is undergoing a rapid and irreversible transformation from fuel-powered vehicles to "electrification, intelligence, and connectivity". The depth and speed of this transformation have exceeded general expectations. As a significant participant in the industry, the proprietary and non-patented technologies historically accumulated by the Company in the field of fuel-powered vehicles have seen the economic lifespan and value-creation capacity of certain related technologies, along with the closely-integrated legacy platform technologies showing a systematic and trend-driven contraction and decline as the Company's strategic resources tilt comprehensively towards the new energy and intelligent connectivity fields. To maintain long-term competitiveness, the Company is resolutely advancing its "EV (Electric Vehicle) + ICV (Intelligent Connected Vehicle)" strategy and must conduct regular and prudent assessments of its existing assets. This is the core reason leading to consecutive impairment.

2. Changes in the market environment: Competition in the automobile market has intensified, with industry competition shifting from incremental expansion to stock optimization. The divergence of the market landscape persists, leading to a decline in the overall vehicle sales of enterprises. Over the past three years, the Company's passenger vehicle sales volume has experienced sustained pressure, with year-on-year changes of 2.93%, -20.06%, and -14.23%, respectively.

3. Underperformance of specific asset groups: In addition to industry-wide common reasons, certain specific technology assets formed through earlier cooperation and research and development failed to generate the originally planned economic benefits in actual integration, application, or market conversion. Based on internal profit and loss analysis by vehicle model, it was determined that some vehicle models have negative or low gross profit margins.

Based on the above, the Company's provision for impairment is an objective reflection of the true value of historical technology investments under the current and future market environment, with the aim that the financial statements more fairly reflect the asset status and lay the foundation for focusing on new tracks in the future. The Company strictly complies with the accounting standards, conducts assessments annually, and makes corresponding provisions for impairment, in line with the principle of prudence in accounting.

The Annual Audit Accounting Firm's Response:

Regarding the impairment of intangible assets, the main procedures we have performed this year include:

1. Understanding the design of key internal controls related to the impairment assessment of long-term assets associated with vehicle models and testing the operating effectiveness of relevant controls;

2. Assessing whether management's method for calculating the recoverable amount of assets complies with the requirements of the Accounting Standards for Business Enterprises No. 8 — Impairment of Assets;

3. Obtaining management's long-term asset impairment test schedules and comparing them with supporting evidence (including approved budgets and historical financial data) to verify the accuracy of the relevant calculations;

4. Interviewing the Company's management to understand and assess the reasonableness of the budgets and estimated future data prepared by management.

Based on the above audit procedures implemented, as of the date of this statement, we have not found any material inconsistencies between the Company's intangible asset impairment and the relevant provisions of the Accounting Standards for Business Enterprises. The related accounting treatment complies with the Accounting Standards for Business Enterprises and other relevant regulations.

As of the date of this statement, our audit work is still in progress. Regarding the above matters, we still need to complete audit procedures such as analyzing and reviewing the significant estimates and judgments used by management in calculating the present value of estimated future cash flows for the impairment test, the reasonableness of key assumptions, communicating with component accountants, and reviewing and examining the relevant working papers and supporting documents, comparing the 2025 actual results with estimated results, in order to form a formal audit conclusion.

IV. Regarding investment income. The estimated results indicated that the Company's investment income further decreased due to impairment of joint ventures, which was one of the main reasons for the loss for the year. The Company is requested to: (1) supplementally disclose the name of the joint venture that incurred impairment during the year and the specific reasons for such impairment; and (2) state whether there were any indications of impairment in the long-term equity investments related to the above-mentioned joint venture, and if so, explain the specific circumstances of the impairment testing conducted by the Company.

The Company's Response:

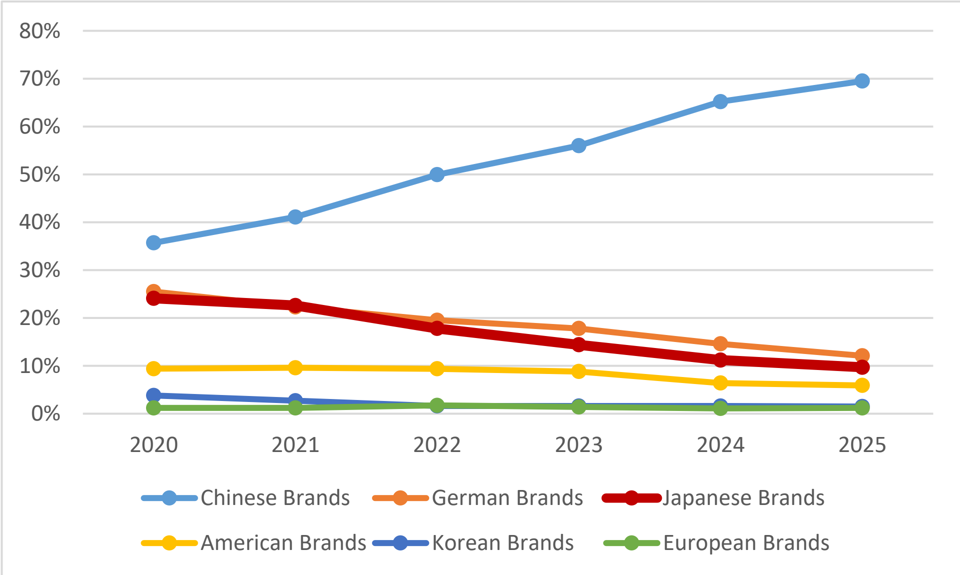
(I) Name of the joint venture that incurred impairment during the year and the specific reasons for such impairment:

1. The joint venture that incurred significant asset impairment during the year is GAC Honda Automobile Co., Ltd. (hereinafter referred to as "GAC Honda").

2. The fundamental reason for GAC Honda's provision for asset impairment is that there have been structural changes in market demand and GAC Honda has made strategic adjustment and optimization of existing production lines.

In recent years, the landscape of China's automobile market has continued to diverge, with the market share of joint-venture brand passenger vehicles, particularly Japanese brands, declining rapidly. According to data from the China Association of Automobile Manufacturers (CAAM), from 2020 to 2025, the market share of various joint-venture brand passenger vehicle decreased to varying degrees. Among them, the market share of Japanese brand passenger vehicles fell from 24.1% to 9.7%.

Changes in Market Share of Passenger Vehicles by Country/Region (2020-2025)

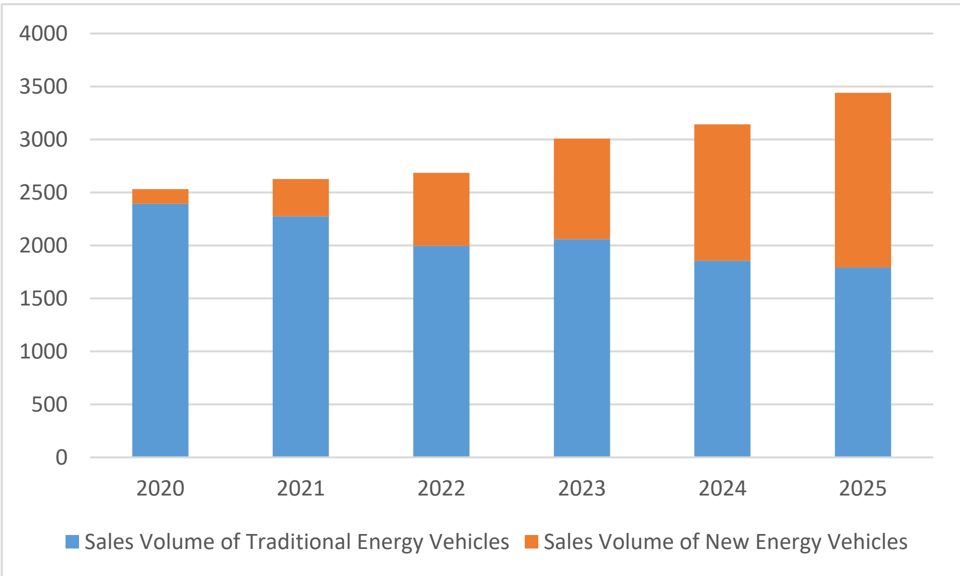


Note: Data source: China Association of Automobile Manufacturers (CAAM)

In recent years, sales volume of traditional energy vehicles (fuel-powered vehicles) has continued to decline, and their market share is rapidly contracting. According to data from the China Association of Automobile Manufacturers (CAAM), sales volume of traditional energy vehicles (fuel-powered vehicles) in China reached approximately 17.91 million vehicles in 2025, representing a decrease of approximately 3.6% compared to 2024. The proportion of traditional energy vehicle (fuel-powered vehicle) sales to China's total automobile sales has dropped from approximately 95% in 2020 to approximately 52%.

Sales Volume of Vehicles by Energy Type in China (2020-2025)

Unit: 10,000 vehicles

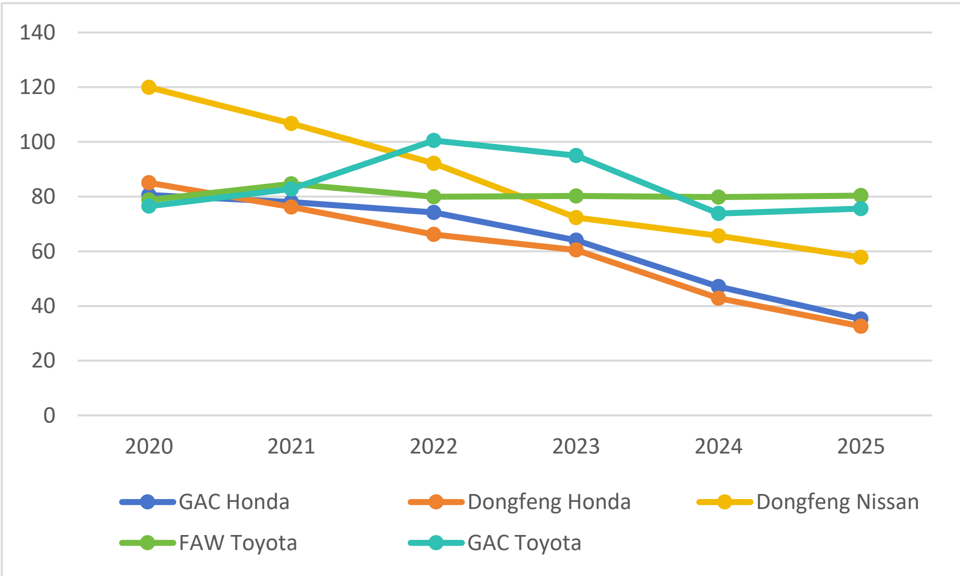


Note: Data source: China Association of Automobile Manufacturers (CAAM)

As seen from the changes in the chart data above, with the continuous and rapid increase in the penetration rate of the new energy vehicle market in China, consumer preferences have undergone a fundamental shift, leading to market demand for certain traditional fuel-powered vehicle models falling short of expectations, with both sales volume and market share exhibiting a declining trend to varying degrees. The majority of GAC Honda's current models on sale are traditional energy vehicles (fuel-powered vehicles). Over the past three years, sales of its traditional energy vehicles (fuel-powered vehicles) have consistently accounted for over 95% of its total sales, and its overall sales volume has declined in recent years.

Changes in Sales Volume of Major Japanese Joint Venture Automobile Enterprises (2020-2025)

Unit: 10,000 vehicles



Note: The data are sourced from relevant listed company announcements and statistics from the China Passenger Car Association (中國汽車流通協會乘用車市場信息聯席分會)

To promptly respond to market changes and optimize resource allocation, GAC Honda has been continuously advancing the consolidation and structural optimization of its production lines, making decisions to shut down, phase out, or upgrade certain obsolete or no longer applicable production lines and their closely associated long-term assets. The future economic benefits that can be generated by these assets have significantly diminished due to a substantial reduction in their expected future use or clear decisions for non-use. In accordance with the relevant provisions of the Accounting Standards for Business Enterprises concerning asset impairment, the recoverable amount of these assets is lower than their carrying amount. Therefore, based on the principle of prudent operation, GAC Honda decided to conduct impairment testing on production lines with significant idle capacity and declining expected economic benefits, and to make provisions for impairment of fixed assets, in order to further reduce fixed costs, optimize the asset structure and enhance asset operational efficiency.

The assets for which impairment provision were recognized this time specifically include production lines such as stamping, welding, painting and final assembly, along with closely associated long-term assets including plant buildings and production-related mold inspection and fixtures. The total impairment amount is approximately RMB 700 million.

(II) Whether there were any indications of impairment in the long-term equity investments related to the above-mentioned joint venture, and if so, please explain the specific circumstances of the impairment testing conducted by the Company.

Considering the assessment of future industry trends and GAC Honda's strategic adjustments and operating conditions and after prudent assessment by the Company, the Company is of the view that there are no indications of impairment in its long-term equity investment in GAC Honda. The main reasons are:

1. The Chinese automobile market has entered a new steady state characterized by "domestic dominance coexisting with differentiated foreign presence". In contrast to the market structures of other major automobile manufacturing countries, and with the gradual phase-out of domestic new energy vehicle supporting policies, according to a forecast by S&P Global, it is projected that the market share of joint venture brands will stabilize within the range of 25% to 30% over the next five years. Fuel-powered vehicles, particularly HEVs (Hybrid Electric Vehicles), are expected to continue to hold a stable market share for a considerable period.

From the perspective of current industry trends, although joint venture automobile manufacturers are facing a decline in market share and the growing pains of transformation, they are now entering a critical strategic window period. As the growth rate of the electric vehicle market slows and the total volume of fuel-powered vehicles remains stable, the market landscape is shifting from "disruption" to "diverse coexistence". This transition affords joint venture automobile manufacturers valuable time to leverage their deep-rooted expertise and achieve transformation. On one hand, joint venture automobile manufacturers solidify their foundational base by capitalizing on their long-established technological expertise, quality control and brand recognition in the fuel-powered vehicle and hybrid sectors. On the other hand, through in-depth local research and development and close collaboration with Chinese technology companies, they are rapidly addressing their shortcomings in intelligence and electrification, launching new electric models that better align with market demands. Overall, by harnessing their systemic capabilities, cost control and innovation vitality, joint venture automobile manufacturers possess the capability to reshape their competitive advantages in future market competition and achieve high-quality and sustainable development.

Over the past two years, GAC Honda has been advancing the consolidation and structural optimization of its production lines, concentrating resources on products that are more aligned with national policies and the Chinese market. According to GAC Honda's mid-to-long-term product plan, it is expected that with the successive launch of multiple new energy products in the future, GAC Honda will enter into a new upward cycle. Based on GAC Honda's five-year development plan, it is expected that its operations will gradually and significantly improve starting from 2027.

2. Except for the strategic short-term proactive adjustments (i.e., the impairment provision on certain production lines and closely associated long-term assets), GAC Honda has remained profitable over the past three years, maintaining positive operating profit. Such strategic short-term proactive adjustments are considered "temporary" rather than "trending" in nature.

In summary, amidst the unprecedented price war and the growing pains of electrification transition in the Chinese automobile market, GAC Honda has demonstrated the operational resilience of an established joint venture automobile manufacturer. At the financial statement level, even after excluding the impact of non-cash long-term asset impairments resulting from the restructuring of certain production capacities or the optimization of the asset structure (such as disposing of idle production lines and making impairment provision for molds of obsolete vehicle models), its core business (the foundational base of fuel-powered vehicles and the sales of certain hybrid vehicle models) continued to maintain positive profitability.

The Annual Audit Accounting Firm's Response:

Regarding the impairment of long-term equity investments, the procedures we have executed for the current period primarily include:

1. Inquiring with the managements of the Company and GAC Honda to understand the circumstances related to the identification, assessment, testing, and approval related to the asset impairment for GAC Honda;

2. Communicating with the auditors of GAC Honda's financial statements to understand the auditors' audit strategy responses to asset impairment matters and the status of audit procedure implementation;

3. Obtaining relevant materials such as GAC Honda's future earnings forecasts and development plans to understand and evaluate the process by which the Company's management concluded that there were no indicators of impairment for its long-term equity investments.

Based on the audit procedures implemented as described above, as of the date of this statement, we have not found any material inconsistencies between the Company's assessment of asset impairment indicators for GAC Honda and its long-term equity investments and the relevant provisions of the Accounting Standards for Business Enterprises, and the relevant accounting treatments have complied with the Accounting Standards for Business Enterprises and other relevant regulations.

As of the date of this statement, our audit work is still in progress. Regarding the matters mentioned above, we still need to complete the analysis and review of GAC Honda's detailed asset impairment schedules and testing working papers for the current year, as well as the significant estimates and judgments and the reasonableness of key assumptions underlying the estimated future cash flows in GAC Honda's future earnings forecasts. We also need to communicate with the component accountants regarding the results of the relevant audit procedures performed, in order to form a formal audit conclusion.

This announcement is hereby made.

By Order of the Board
Guangzhou Automobile Group Co., Ltd.
15 March 2026